



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-9034
(615) 741-2501

Justin P. Wilson
Comptroller

May 18, 2009

The Honorable Randy McNally, Chairman
Senate Finance, Ways and Means Committee
Room 307 War Memorial Building
Nashville, Tennessee 37243-0205

and

The Honorable Craig Fitzhugh, Chairman
House Finance, Ways and Means Committee
33 Legislative Plaza
Nashville, Tennessee 37243-0182

Dear Chairmen:

Pursuant to Section 9-4-5202, Tennessee Code Annotated, the State Funding Board secures a report of the estimated growth rate of the State's economy from The University of Tennessee's Center for Business and Economic Research ("UT-CBER"). The Board finds that the reported estimates of growth rate for calendar year 2009 at 0.68% and for calendar year 2010 at 2.82% appear reasonable.

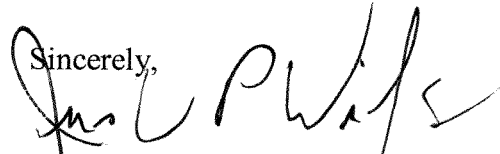
A copy of UT-CBER's report dated April 30, 2009 is attached ("Report"). Pursuant to Sections 9-4-5201 and -5202, Tennessee Code Annotated, the estimate rate of growth in the State's economy is to be based on the projection of growth of personal income derived from the Tennessee Econometric Model. The Report provides growth rates for calendar years 1977 through 2010; rates for years 1996 through 2010 are included within the broader economic forecast in the Economic Report to the Governor, dated January 2009. The Economic Report to the Governor ("ERG") currently can be found on UT-CBER's website [<http://cber.bus.utk.edu/tefs/erg2009.pdf>]

The statute directs the Board, upon receiving the Report, to determine the reasonableness of, and to comment on, the estimated growth rate. Also, the Board is directed to obtain a list of state tax and non-tax revenue sources as approved by the State Attorney General, a copy of which is attached.

In order to reach a conclusion as to reasonableness of the estimate, on May 1, 2009 the Board met to discuss the estimate and the economic forecast from which it was derived. The Board was assisted in the effort by a staff paper dated April 30, 2009 prepared by Mr. Ronald H. Queen, Manager of Local Finance, Division of Local Finance, and by Mr. Keith Boring, Associate Legislative Research Analyst, Office of Research, both with the Comptroller of the Treasury. This staff analysis, attached for your information, reviews various economic forecasts, other economic trends, and historical Tennessee growth. Staff noted that on a fiscal year basis the ERG reports nominal personal income in Tennessee will be up 1.5% in 2009-10. Dr. William Fox of UT-CBER also attended the meeting.

After carefully reviewing the report and staff paper and discussing the forecast as reported in the ERG dated January 2009, the Board has directed me to convey to you our determination. This letter and the attachments can be found on the Comptroller's website under "Investor Information". [<http://tn.gov/comptroller/bf/econbus.htm>]

Sincerely,



Justin P. Wilson, Secretary
Tennessee State Funding Board

Attachments (3)
JPW:avb